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Memorandum for: RECORD

A copy of this paper was sent to Dave Peterson,
Dept of Commerce per his request.

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**Office of European Analysis
Directorate of Intelligence**

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Turkey: The Current Situation

Domestic Politics

1. Turkey's transition to democracy has gone smoothly since the parliamentary election in November.

- Despite President Evren's opposition to Prime Minister Ozal and his Motherland Party in the election, the two men have settled into a productive working relationship.
- Each remains wary of the other, however, and we believe strains will emerge as the new government struggles to overcome Turkey's serious economic problems, broaden the democratic experiment, guarantee internal security, and pursue a more independent and active foreign policy.
- The 1982 Constitution gives Evren considerable power, which is enhanced by his military backing. If Turkey's transition to democracy proceeds without major problems, however, Ozal's power base and credibility will grow, making him a formidable competitor in any power struggle with Evren. [REDACTED]

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2. Municipal elections held on 25 March continued Turkey's transition to democracy.

- The constitution adopted in 1982 established that municipal elections would be held within one year of the first national election held under the new order. Evren did not block the National Assembly's decision to open the contest to all but extremist parties. This made it a far less restrictive affair than the national election, in which only three parties were permitted to run.
- The elections gave Ozal's Motherland Party a healthy plurality and Turkey's democratic credentials a major boost. But the price could be more splintering of the political party system. Six major parties gained representation at municipal levels. All may not survive but the resultant loosening of the political system could lead to the very kind of political instability that prompted the coup. [REDACTED]

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3. Ozal has put together a streamlined cabinet of politically unknown technocrats whose primary concern is to rebuild and reform the economy along free market lines. Because economic policy is Ozal's strongest suit and Evren's weakest, the President will probably not interfere much as long as Ozal produces good results.

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- Ozal has moved quickly to implement his economic program, which aims at furthering the 1980 Stabilization Program -- reducing inflation, generating long-term development through increased exports and foreign investment, shrinking the large state role in the economy, and reducing unemployment.
- So far he has tried to reach these goals by increasing prices on several subsidized goods, raising interest rates on savings above inflation, liberalizing imports, and abolishing most foreign exchange controls. His most controversial measure has been a bill permitting the government to sell profit shares in state enterprises to private investors -- a dramatic departure from Turkey's tradition of etatism.
- Turkey's economic problems are serious, but we believe Ozal's free market policies have a good chance of promoting economic reform. An ardent monetarist, we expect Ozal to keep a tight rein on the money supply. Inflation should begin to fall by the end of this year, despite government efforts to reduce consumer subsidies, but will still average about 30 to 35 percent. While GNP is expected to rise by 4 to 5 percent in 1984, this will not be enough to prevent a rise in the unemployment rate, which is currently around 20 percent.
- Turkey will continue to need substantial amounts of aid, as large payments on its rescheduled debt begin to fall due in late 1984 and 1985. [REDACTED]

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4. Martial law, introduced by the generals shortly after they took power in 1980, has been extended to mid-July in all but five provinces. The threat of violence and how it is handled remains a serious security and political problem for the government.

- Although the transition to civilian rule has been taking place in an atmosphere of relative tranquility, [REDACTED] leftwing groups in particular remain active and that police officials are pessimistic about their ability to eliminate terrorism.
- There is great fear -- among both military leaders and the new civilian elite -- that Turkey could face a rebirth of terrorist activity threatening the democratic experiment if the government loosens the reins too quickly. Their fear is well placed. Terrorist acts are on the rise again, although we doubt that violence will soon reach the pre-coup level of about 20 political murders per day.
- Armenian terrorism is a special problem. Although the leftwing Armenian Secret Army for the Liberation of Armenia and the rightwing Justice Commandos for Armenian Genocide have focused on targets outside Turkey, indications are that they may be planning operations inside the country.

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- [redacted]
- Turkey continues to disclaim publicly any interest in forming "hit teams" to retaliate against Armenian terrorists. [redacted]
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 - At the same time, the Armenian issue has emerged as an irritant in Turkey's relations with several countries, especially Syria and France. Ankara is particularly upset by what it perceives as Syrian sponsorship of Armenian militants and France's cavalier approach toward Armenian activists operating in France.
 - However necessary, anti-terrorist efforts carry political costs for Turkey. About 30,000 "political" prisoners remain incarcerated, and the special martial law courts continue to exercise extraordinary powers. Several West European states in particular, are concerned about Turkey's "human rights" policy and are making it difficult for the Ozal government to develop normal political and economic relations with democratic states.
 - Sensitivity to such criticism has spurred both opposition parties in parliament to propose legislation on an amnesty for prisoners, and the government recently has completed an investigation of prison conditions. The Parliament will debate the terrorism/amnesty issue within the next few months. We expect there is likely to be a limited amnesty for prisoners of "conscience" and a further relaxation of martial law this summer. But we doubt the government will release hardcore terrorists or endanger the peace by completely abandoning martial law. [redacted] 25X1

Foreign Policy

1. It is the common wisdom that Ozal takes a back seat to Evren in foreign policy. In fact, it is a much more complex relationship in which both men, but especially Ozal, are intent on instilling a new sense of independence and activism in Turkey's foreign policy.

- The US will remain Turkey's most important foreign partner. Turkey will receive more than \$853 million in US economic and military aid in FY 1984. The US has some 240 security arrangements with the Turks, including a wide-ranging Defense and Economic Cooperation Agreement (DECA). [redacted]
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- The problem of Cyprus threatened US-Turkish relations in the 1970s and is doing so again. For FY 1985 the US Administration proposed \$947 million in combined economic and military aid. Ankara has objected strongly to a proposed Congressional cut of \$40 million in military aid and to a recent Senate Foreign Relations Committee resolution to slash \$215 million in military aid unless the Turks make major concessions in returning Varosha to the Greek Cypriots. The Turks are unlikely to buckle and could eventually retaliate by demanding greater financial concessions under the DECA that expires in 1985. They might also downgrade or sever relations with Israel.

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[redacted]

If relations with the US worsened substantially, the Turks might consider restricting access to some of the NATO facilities in the country. [redacted]

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2. The Cyprus problem and Turkey's involvement in it will not be easily resolved. [redacted] the Turks remain deeply involved in the party politics of their compatriots on the island.

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- Ankara, which provides the bulk of the funds for the "Turkish Republic of Northern Cyprus" (TRNC) and has a sizable military presence, continues to play a preponderant role in formulating Turkish Cypriot policies toward the Greek Cypriots and toward UN Secretary General Perez de Cuellar who mediates the dispute.
- The current focus of attention is a set of UN proposals designed to reduce tensions and rekindle negotiations. They remain highly classified despite leaks in the Turkish press. Under the UN plan:
 - o The Turkish Cypriots would cease efforts to consolidate their new Republic in return for Greek Cypriot promises to not take their case to international forums.
 - o Both sides would cease efforts to militarize the island.
 - o The Turks would return a large portion of the former Greek Cypriot resort town of Varosha to interim UN control before Greek resettlement, in return for a Greek pledge to restart intercommunal talks on a comprehensive settlement.
- Denktash and Ankara have sought further clarifications of the UN plan, primarily as a means of gauging Greek flexibility to meet Turkish demands in a settlement. In the meantime, the Turks and Turkish Cypriots are unlikely to forego diplomatic initiatives aimed at gaining international recognition for the Turkish Cypriot "Republic" or stop efforts to devise its new political system.
- Renewed tensions over Cyprus have produced additional strains in Greek-Turkish relations, leading to the collapse of nascent bilateral talks on trade and tourism -- the only meaningful point of contact in recent months. Papandreou's overreaction to an incident involving Turkish and Greek gunboats in the Aegean in March has reinforced the Turkish view that the Socialist government in Athens wants to create an artificial crisis in order to distract the Greek public and bolster its position with the Allies.
- Ankara's policy toward Papandreou has been an adept mixture of moves to both isolate the Greek government in the Western camp and show Ankara's good intentions. In early April, for example, Prime Minister Ozal announced that visas will no longer be required for Greek citizens entering Turkey.
- At the same time, the Turks have been quick to exhibit their cooperation with the Allies in NATO forums and their dislike for the Balkan nuclear-free zone idea promoted by Athens. [redacted]

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3. The Ozal government wants to improve and expand relations with Western Europe. At stake are EC loans, new markets for Turkish goods, and ultimately membership in the Council of Europe and the EC. But Ozal will not pursue better relations with Europe at any cost. Ankara believes that it has made great progress in returning to democracy and correcting an admittedly serious human rights problem, and it resents European "insensitivity" to Turkey's problems. European refusal to accept Turkey as a legal and political equal, or at least recognize the progress already made, would add impetus to plans already underway to improve and expand relations with the Islamic world and to enhance Turkey's influence in the Middle East.

- Ozal, a devout Muslim, and Evren have begun to travel more to Islamic countries. Evren went to the Islamic Conference in Casablanca earlier this year where he worked to bolster Turkey's ties with several Islamic states and recently visited Saudi Arabia to negotiate economic and military training agreements.
- Ozal has just returned from Iran and probably will go to Libya and Iraq later in the year to discuss a wide range of economic and political matters. Iran and to a lesser extent Iraq are Turkey's chief trading partners and Ozal wants to strengthen Ankara's relationship with both.
- Turkey will strive to remain neutral in the Iran-Iraq war. But if Iran's long threatened offensive materializes and succeeds and if the government in Baghdad collapses, Turkey could be dragged into the conflict to protect its interests along the border, particularly if the Kurdish minority in northern Iraq and southeastern Turkey attempted to exploit the situation.

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4. The most important obstacle to Turkey's pursuit of a larger role in the Middle East and southwest Asia is Syria. Syrian-Turkish antagonism has a long history, and relations between the two neighbors have been at best cool since Ataturk's day.

- The Turks also resent the growing Soviet presence and influence in Syria which they see as an increasingly serious threat to the Islamic movement in general and Turkey in particular.
- If the Ozal government is even moderately successful in its efforts to expand its role in the area, therefore, competition between Ankara and Damascus for influence and markets is likely to increase, heightening chances for a military confrontation.

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5. For the time being, though, the Ozal government continues to see the Soviet Union as the greatest threat to Turkey. Turkey will continue to uphold its NATO responsibilities vis-a-vis the USSR despite serious deficiencies in military equipment and training.

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- At the same time, however, the Turks are interested in improving relations with Moscow. Ankara wants in particular to reverse a decade-long decline in economic and trade relations. To this end, several delegations have traveled between Turkey and the Soviet Union to discuss specific proposals to increase ties.
- It is not altogether clear that the Turks will be successful in reversing the decline in economic relations with the Soviets. Whatever the outcome, Ankara would respond very cautiously to any Soviet overtures for improved political relations.

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